



MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2024

Report Date – April 29, 2025



INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is provided by the management of Hillcrest Energy Technologies Ltd. ("Hillcrest" or the "Company") as at and for the year ended December 31, 2024. This MD&A should be read in conjunction with the Company's audited annual consolidated financial statements and notes thereto for the year ended December 31, 2024 (the "Annual Financial Statements").

The following information has been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). All financial results are reported in Canadian dollars, unless otherwise indicated.

Additional information relating to the Company, including the financial statements are available on the Hillcrest website at hillcrestenergy.tech or on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR+") website at <http://www.sedarplus.ca>.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements pertaining to, among other things: additional capital funding; the Company's ability to obtain such funding and the use thereof; the Company's ability to continue as a going concern; the completion of private placements and the use of proceeds thereof; the Company's next phase of capital expenditures; regulatory approvals and the Company's ability to obtain applicable permits; future operation, general and administrative expenditures and the anticipated impact of the reduction thereof; performance and financial results; capital expenditures; the Company's working capital and capital requirements; estimates and assumptions made in accordance with IFRS requirements; and the Company's ability to generate shareholder value, which is intended to provide readers with a reasonable basis for assessing the financial performance of the Company. The use of any of the words "believe", "expect", "estimate", "will", "should", "intend" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of the Company contained in this MD&A, which may prove to be incorrect, include but are not limited to: the general continuance of current or, where applicable, assumed industry conditions, ability of the Company to achieve its plans, and statements relating to the Company's future plans and management's belief as to the development of the Company's technologies; the Company's ability to retain key employees and executives; the availability and timing of additional financing to fund the Company's capital and operating requirements as needed; and certain cost assumptions. Statements regarding future plans of the Company are subject to known and unknown risks, uncertainties, and other factors, which could cause actual results to differ materially from those expected. These risks include, but are not limited to: the risk associated in the commercial viability of the technologies the Company is in the process of developing or deploying; delays or changes in plans with respect to the technologies; the risk of foreign exchange rate fluctuations, costs and expenses; inflation and lack of availability of goods and services; changes in commodity prices; unanticipated operating results; financial markets; economic conditions; volatility in the debt and equity markets; regulatory changes; changes in tax or environmental laws; and certain other known and unknown risks listed under the section "Risks & Uncertainties" herein.

Although Hillcrest believes that the material factors, expectations and assumptions expressed in such forward-looking statements are reasonable based on information available to it on the date such statements were made, no assurances can be given as to future results, levels of activity and achievements and such statements are not guarantees of future performance.

The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.



CORPORATE OVERVIEW

Hillcrest is listed for trading on the Canadian Securities Exchange (the "Exchange") under the symbol "HEAT," on the OTCQB in the United States of America ("US") under the symbol "HLRTF" and on the Frankfurt Exchange under the symbol "7HI".

The Company's specific area of technological expertise is high-value, high performance power conversion technologies and digital control systems for next-generation powertrains and grid-connected renewable energy systems. Hillcrest has developed a Zero Voltage Switching ("ZVS") inverter technology platform to be deployed into several products, including a ZVS traction inverter prototype, a ZVS power module, and a ZVS grid inverter prototype and a ZVS power factor correction prototype.

The Company has employed and engaged management and consultants with extensive experience directly relevant to its focus areas and continues to build its capability to expand the scope of its activities in core technology fields.

In 2021, Hillcrest achieved proof of concept for its Zero Voltage Switching (ZVS) Technology. In December 2022, the Company completed its first commercial prototype utilizing this ZVS technology - an 800V, 250kW ZVS traction inverter prototype.

Throughout 2023, the Company continued developing and commercializing various applications based on its core ZVS technology platform with the intent of developing, licensing and/or selling accessible or owned clean energy technologies and IP.

In January 2023, the Company closed a non-brokered private placement of 1,775,000 units of the Company at a price of \$0.72 per unit for gross proceeds of \$1,278,000, including \$1,204,000 received as at December 31, 2022. Each unit consists of 1.2 common shares in the capital of the Company, resulting in the issuance of a total of 2,130,000 common shares.

In April and May 2023, the Company closed a non-brokered private placement, over three tranches, of a total of 4,193,750 units of the Company at a price of \$0.48 per unit for gross proceeds of \$2,013,000, with each unit consisting of one common share and one share purchase warrant exercisable into an additional common share of the Company at a price of \$0.90 per share for 24 months from the date of issuance. In connection with this placement, 1,000 finder's warrants were granted with an exercise price of \$0.90 and exercisable over two years.

Also in April 2023, Hillcrest announced that it had successfully completed the first milestone of its October 2022 MOU with a Global Tier 1 Automotive Supplier. In June 2023 the Company also announced that dynamic load demonstration testing was underway as part of the second milestone of this MOU. The second milestone was completed in Q3 2023.

Also in May 2023, the Company successfully completed dynamic load bench tests involving the Company's 250kW 800V inverter prototype with a prominent European Automotive Original Equipment Manufacturer (European OEM) with test results that showcased a marked advantage in electromagnetic compatibility (EMC) characteristics and inverter efficiency. The European OEM has completed its analysis of the demonstration results and is proceeding with the next phase of co-development discussions.

In June 2023, the Company completed a consolidation of the authorized and issued common shares of the Company (the "Common Shares"), on the basis of a one (1) post-consolidated Common Share for each six (6) pre-consolidation Common Shares. All share numbers shown in this report reflect the post-consolidated numbers except as indicated otherwise.

In June 2023, the Company completed the design and began manufacturing its ZVS-enabled power module. These power modules are the first to be optimized for the Company's ZVS technology and are integrated into the Company's traction inverter to create the first-ever ZVS-optimized traction inverter.

In July 2023, the Company completed the design of its next-generation traction inverter commercial prototype optimized with the Company's own ZVS-enabled power module. This 350kW prototype is designed for applications up to 1,000V.



In October 2023, the Company announced support from the Government of Canada for a demonstration program with Hercules Electric Mobility Ltd. ("Hercules"). The Company signed an MOU with Hercules in October 2022 to build, test and potentially commercialize an electric powertrain that includes a ZVS traction inverter. The National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) is providing advisory services and research and development funding of up to \$130,000 toward the demonstration of the Hillcrest ZVS traction inverter with Hercules. This funding is expected to be a significant facilitator of an important phase of development for both the Company and Hercules. In March 2024 the Company completed an in-water demonstration with Hercules. Work on the collaborative project continues and is expected to run through 2025.

On October 4, 2023, Hillcrest closed a non-brokered private placement in the amount of 4,350,000 units of the Company (the "Units") at a price of \$0.40 per Unit for gross proceeds of \$1,740,000. Each Unit consists of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one Common Share at an exercise price of \$0.50 per Common Share for a period of 24 months from the date of issuance. However, the Warrants will be subject to an accelerated expiry upon 30 business days' notice from the Company in the event the Common Shares trade for ten (10) consecutive trading days any time after four (4) months from the date of issuance at a volume-weighted average price of at least \$0.60 on the Canadian Securities Exchange.

In January 2024, the Company secured a \$5 million equity drawdown facility ("Equity Facility"). Pursuant to the Equity Facility, the Company will pay the investor a commitment fee equal to 4.9% of the total capital of the Company committed, payable in cash or common shares in the capital of the Company (the "Shares") at the greater of the discounted market price permitted under the policies of the Canadian Securities Exchange (the "CSE"), and 90% of the 10-day average closing bid price of the common shares on the CSE (the "Issue Price"), at the election of the Company. On any drawdown amount, the Company will pay a 12% drawdown fee, which may be payable in Shares or by deduction from the funded advance, at the option of the investor. Each drawdown will be in units (the "Units"), with each Unit consisting of one common share in the capital of the Company and one-half of one common share purchase warrant (each whole warrant, a "Drawdown Warrant"). The Units will be issued at the greater of the discounted market price permitted under the policies of the Canadian Securities Exchange (the "CSE"), and 90% of the 10-day average closing bid price of the common shares on the CSE (the "Issue Price"). All Drawdown Warrants issued as part of the Units will be exercisable at an exercise price equal to the greater of 125% of the Issue Price, and the minimum exercise price permitted by policies of the CSE and will be exercisable for a period of three years from the date of issuance.

The Company issued 1,022,830 common shares for settlement of the commitment fee and closed several drawdowns, issuing 6,915,493 common shares for gross proceeds of \$1,465,673. Pursuant to the drawdowns, 3,226,092 warrants with an exercise price ranging from \$0.25 to \$0.33 and exercisable over three years were issued.

The investor in the Equity Facility had a consulting agreement with the Company during 2024.

In February 2024, the Company announced the integration of its ZVS-enabled power modules into its next-generation EV traction inverter prototype, providing a substantial boost in power level and power density for the new inverter prototype.

In March 2024, the Company completed the first in-vehicle demonstration of its ZVS traction inverter with Hercules Electric Mobility Ltd. ("Hercules"). This multi-phase demonstration was supported by the Government of Canada. As originally announced in October 2023, the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) provided advisory services and research and development funding of \$130,000 toward the demonstration of the Hillcrest ZVS traction inverter with a global motor supplier and Hercules.

Also in March 2024, the Company announced the completion of EMC chamber testing on Hillcrest's EV traction inverter prototype with a European automotive manufacture. Automotive manufacturers are often referred to as automotive original equipment manufacturers, or automotive OEM's. The tests showcased



the ability of the Company's inverter to achieve significantly better EMC during all tested operating points compared to existing inverters on the market.

In April 2024, Hillcrest entered into a collaboration agreement with Powertech Labs Inc. in which Powertech will provide testing and consulting services to assist Hillcrest in the development and validation of its ZVS inverter technology for grid-connected applications.

Also in April 2024, the Company closed a non-brokered private placement of 12,874,000 units of the Company ("Units") at a price of \$0.25 per Unit for gross proceeds of \$3,218,500. In connection with placement, the Company paid commissions and finders fees in the amount of \$630 in cash finder's fees and issued an aggregate of 2,520 share purchase warrants (the "Finder's Warrants") to certain arm's length finders, and the Company further issued 459,540 Units to two arm's length service providers in connection with the Private Placement. Each Finder's Warrant entitles the holder thereof to purchase one Share at a price of \$0.25 per Share until April 30, 2027, subject to an accelerated expiry upon 30 business days' notice from the Company in the event the Common Shares trade for ten (10) consecutive trading days any time after four (4) months from the date of issuance at a volume-weighted average price of at least \$0.50 on the Canadian Securities Exchange.

In June 2024, the Company closed a non-brokered private placement of 3,530,000 units of the Company (the "Units") at a price of \$0.25 per Unit for gross proceeds of \$882,500 (the "Offering"). Each Unit is comprised of one common share in the capital of the Company (a "Share") and one Share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one additional Share (a "Warrant Share") at a price of \$0.30 per Warrant Share for a period of 36 months from the date of closing (the "Closing Date"). The Warrants are subject to an accelerated expiry upon thirty (30) business days' notice from the Company in the event the Shares trade for ten (10) consecutive trading days any time after four (4) months from closing of the Offering at a volume-weighted average price of at least \$0.50 on the Canadian Securities Exchange (the "CSE"). In connection with closing of the Offering, the Company issued 36,000 non-transferable Share purchase warrants (the "Compensation Warrants") to an arm's length service provider, with each Compensation Warrant exercisable into a Share (a "Compensation Share") at a price of \$0.30 per Compensation Share for a period of 36 months from the Closing Date. The Compensation Warrants are subject to an accelerated expiry upon thirty (30) business days' notice from the Company in the event the Shares trade for ten (10) consecutive trading days any time after four (4) months from closing of the Offering at a volume-weighted average price of at least \$0.50 on the CSE. In connection with the Offering, one subscriber sold an aggregate of 600,000 Shares and used the proceeds to facilitate their participation in the Offering.

Also in June 2024, Hillcrest announced the completion of a joint development agreement with Ocean Batteries AS ("Ocean Batteries") for the delivery of 300kVA | 800V Hillcrest ZVS inverter prototypes. Hillcrest will work with Ocean Batteries on the design and testing of a ZVS inverter for integration into their onshore energy storage systems. Successful deployment of these prototypes is expected to pave the way for a commercial supply arrangement. In November 2024, the Company announced discussions are underway with Ocean Batteries to expand the joint development agreement to potentially include additional applications of Hillcrest's ZVS technology to EV chargers and onboard energy storage systems for marine applications.

In July 2024, Hillcrest launched a testing and demonstration program for a power factor correction prototype, the latest application of the Company's Zero Voltage Switching technology.

In October 2024, Hillcrest provided an update on joint development discussions with leading automakers and Tier One suppliers with interest in the Zero Voltage Switching technology. Tier 1 automotive suppliers are companies that supply fully assembled components and/or systems to automotive manufacturers.

In November 2024, the Company announced the anticipated launch of its FPGA-based control system for ZVS inverter products by the end of this year. The ability to offer this control system in addition to the microcontroller option currently available for Hillcrest's ZVS inverter prototypes satisfies a need expressed by several customers and is expected to generate additional commercial opportunities for the Company.



In December 2024, the Company announced the signing of an MOU with Systematec GmbH to strengthen the existing collaborative partnership between the companies. The MOU contemplates multiple new arrangements, including the potential establishment of a distribution agreement. Under the terms being explored, Systematec would distribute Hillcrest's proprietary Zero Voltage Switching (ZVS) inverter technology for automotive applications in Europe.

Also in December 2024, Hillcrest announced it had successfully concluded 2024 customer demonstrations of the Company's ZVS technology. Through extensive demonstration tests performed at automotive manufacturers' and suppliers' facilities, as well as at Systematec GmbH's facilities in Germany, the Company's ZVS traction inverter prototype and Power Factor Correction (PFC) prototype have delivered significant performance gains, solidifying the Company's position at the forefront of power electronics innovation.

In December 2024, the Company announced a non-brokered private placement of up to an aggregate of 11,111,111 units of the Company (a "Unit") at a price of \$0.18 per Unit for aggregate gross proceeds of up to \$2,000,000 (the "Offering"). A portion of the Offering was to be completed as a settlement of outstanding debt, for up to \$1,500,000 on the same terms as the other Units being distributed as new subscriptions. This non-brokered private placement was cancelled on December 24, 2024.

The Company announced the termination of the Equity Facility on December 13, 2024, as the Company had access to alternative financing arrangements.

The Company's end of life, non-producing, legacy oil assets in Saskatchewan are currently in the process of being remediated with completion expected in 2025 or 2026.

STRATEGY AND BUSINESS OBJECTIVES

The Company's business plan is to focus on sustainable value per share growth. To accomplish this, the Company will continue to pursue specific opportunities related to clean energy technology.

HILLCREST ZVS TECHNOLOGY AND PRODUCT DEVELOPMENT PROJECTS

The Company's immediate objectives include the development and commercialization of intellectual property ("IP"), including the IP associated with the acquisition of ANIGO Technologies Inc. ("ANIGO"), now named Hillcrest Energy Technologies Royalty Holdings Ltd. This includes technology development and commercialization activities through the collaborative agreement with Systematec GmbH ("Systematec").

The Company uses a building-block approach to the development of its products that all rely on use of the Company's proprietary zero voltage switching technology (the "**ZVS Technology**"). Since ZVS Technology achieved proof of concept in 2021, the Company has focused its resources on applying this core technology to numerous products it intends to bring to market.

This building-block approach allows the Company to proceed with multiple development projects in parallel, providing a more efficient and integrated approach to product development. This approach, does however, make it difficult for the Company to assign specific costs, expenditures, and resources to any one development project at this stage in the process as the costs of development are integrated amongst the various development projects. As the various products enter a commercial phase, the ability to segregate resources and expenditures by product will be viable.

ZVS Technology – In 2021, the Company initiated the development of its core technology – the ZVS Technology. This firmware-based technology can be applied to a wide variety of power conversion devices, along with hardware adjustments, to improve power conversion efficiency and performance, as compared to current products on the market today. The ZVS Technology is the fundamental building block for each of the application-specific products the Company develops.

Proof of concept for the ZVS Technology was achieved in 2021 and continues to be refined and improved as it is applied to specific power conversion applications.



Originally deployed using a microcontroller, in 2024, the Company is expanding its ability to deploy the ZVS Technology using a Field-Programmable Gate Array (“**FPGA**”)-based control system. The ability of the Company to offer both control system options provides greater choice for potential customers.

ZVS Traction Inverter Prototype— Throughout 2023 and 2024, the Company developed a 350kW | 1,000 V traction inverter prototype (the “**Traction Inverter Prototype**”) that integrates the ZVS Technology. This traction inverter prototype is intended to demonstrate the capabilities of the Company's proprietary technology in electric mobility applications. The Traction Inverter Prototype has reached a commercial level and now serves as the foundation upon which all customer-specific design and engineering customization can be accomplished.

ZVS Power Module Prototype – During 2023, the Company developed its own power module (the “**ZVS Power Module**”) to be used in the Company's power conversion applications to maximize the benefits of the Company's ZVS Technology while improving the power density and performance of these devices. The ZVS power module is continually improved as each of the Company's power conversion prototypes are advanced through the development and commercial processes.

During 2024, the ZVS Power Module was integrated into the Company's ZVS inverter prototypes and continues to be refined and improved as advanced testing is completed with potential customers across various industries and applications.

ZVS Grid Inverter Prototype – Beginning in Q4 2023, the Company began the development process of adapting the Traction Inverter Prototype for use in grid- connected applications. This process includes adapting the hardware, communications, and firmware to the specific requirements needed to connect to various power grids found across the globe. This prototype can be used for a wide variety of applications, including renewable energy generation and storage as well as electric vehicle (“**EV**”) charging infrastructure and data centers.

The Company is currently engaging with potential customers on joint development opportunities across multiple grid-connected industries, including the project with Ocean Batteries SA.

ZVS Power Factor Correction Prototype – During the first half of 2024, the Company responded to increasing interest from potential customers and began development of a power factor correction prototype.

Power factor measures how effectively electrical power is converted into useful work. A high power factor means more useful power is available, while a low power factor means more power is wasted as reactive power, which does not do useful work. This imbalance can increase energy costs and reduce the working capacity of electrical systems.

Power factor correction (“**PFC**”) is often incorporated into electrical equipment to increase the amount of electrical power available for useful work. Deploying the Company's ZVS Technology in PFC applications is expected to improve the operating capacity, performance, and lifespan of grid-connected electrical equipment. It will also allow for a reduction in the size of filtering components, resulting in substantial operating and capital cost savings. For grid operators, the Company's ZVS-enabled PFC solution offers better power quality and improved grid stability.

PFC is needed in nearly everything connected to the electric grid, including renewable energy generation and storage, EV onboard chargers and charging stations, data centers, and various industrial applications.

As with prior product development efforts, this prototype leverages the building block approach by using an existing proof of concept device along with already-developed grid-connect firmware to develop this prototype. This greatly reduces the time and cost associated with this initial development activity.

The Company is now demonstrating this prototype to potential customers. Further commercialization of this prototype is expected to occur in collaboration with a customer who will want it customized to meet their specific needs.



As each application progresses through the development process to commercialization, the Company will focus on realizing potential value through developing, licensing and/or selling these applications and the associated IP.

Use of the building block approach coupled with the specific decisions made by the Company during the early stages of development, allow the Company to offer broad scope of supply options to our potential customers. The Company can offer its core ZVS Technology as a library, microprocessor or FPGA for a customer to deploy into their own power conversion devices or design and produce full, ZVS-enabled devices that meet a customer's specific needs. In the immediate term, this allows the Company to expand its presence in the market and secure initial commercial agreements. Over time, as the Company gains market validation and experience in the production and delivery across the various scopes of supply, it will be better positioned to manufacture products at scale, initially leveraging the robust contract manufacturing capabilities available globally.

Revenue may not be achieved from the technology portfolio in the near term. At present, the Company's plans for IP and related technology applications and products will be contingent upon the results of its research and development efforts, and commercialization of resulting IP.

Upon its acquisition of ANIGO, now Hillcrest Energy Technologies Royalty Holdings Ltd., the Company recognized \$1,550,000 as an intangible asset, which is attributable to the portfolio of acquired software IP. During the current twelve -month period ended December 31, 2024, the Company also incurred research and development expenses of \$2,041,425 (2023 – \$2,130,596). The Company also entered into an office and warehouse rental agreement in 2021 for a technology research and development lab.

OIL AND GAS PROPERTIES – DISCONTINUED OPERATIONS

West Hazel Property, Saskatchewan

The Company has a 62.25% working interest and is the operator of record in the West Hazel field, a petroleum asset located in the Western Canadian Sedimentary Basin. The Company formally ceased production in November 2021 and oil wells have been shut in. All wells have now been abandoned and surface equipment removed with only surface reclamation remaining. The Company also developed a final reclamation plan for the entire property with the intent to complete the work in 2025 or 2026.

OVERALL PERFORMANCE

Key Performance Indicators

	2024	2023	2022
Revenue	\$ -	\$ -	\$ -
Net loss	\$ (10,957,155)	\$ (8,138,709)	\$ (6,360,201)
Loss per share	\$ (0.12)	\$ (0.13)	\$ (0.12)
Total assets	\$ 2,961,693	\$ 2,713,041	\$ 3,115,779
Research and development expenses	\$ 2,041,425	\$ 2,130,596	\$ 1,434,448

During the year ended December 31, 2024, the Company incurred a net loss of \$10,957,155 compared to \$8,138,709 for the year ended December 31, 2023. The increase in the net loss for the year is attributed to the increase in management and consulting expenses of \$720,932, an increase in office and general expenses of \$1,065,891, an increase in share-based compensation of \$747,895, and an increase in financing expenses of \$148,105. This was offset by a decrease in research and development costs of \$89,171 and a decrease in other income of \$42,140. In addition, the loss from discontinued operations increased by \$128,263. The increase in management and consulting expenses of \$720,932 is the result of engaging certain additional third-party corporate consultants during 2024. The increase in office and general expenses is related to the increased cost for investor relations and business development expenses, along with increased professional fees incurred during the period. This was offset by a decrease in salaries and wages, transfer agent and filing fees, and travel expenses. Financing expenses increased resulting from the interest recognized on the various office lease rental agreements. The decrease in the research and development expenses in the year resulted from a decrease in consultants and supplies used.



The decrease in share-based compensation is the result of the amount of share-based grants in the year and the recognition of the expense on the vesting periods of those grants. Finally, the increase in the loss from discontinued operations is the result of the revision on the estimate for the asset retirement obligation.

During the year ended December 31, 2023, the Company incurred a net loss of \$8,138,710 compared to \$6,360,201 for the year ended December 31, 2022. The increase in net loss is the result of the increase in research and development expenditures of \$696,148, an increase in office and general expense of \$400,621, and an increase in share-based compensation of \$1,081,742. This was offset by a decrease in management and consulting expenses of \$453,981. The increase in research and development expenditures resulted from the increase in contract labour resulting from additional joint venture work performed during the year. Office and general expenses increased due to an increase in investor relations expenses and salaries and wages incurred during the year. This was offset by the reduction in professional fees. The increase in share-based compensation is the result of the amount of share-based grants in the year and the recognition of the expense on the vesting periods of those grants.

As at December 31, 2024, the Company had total assets of \$2,969,693 compared to \$2,713,041 as at December 31, 2023. The increase in total assets is the result of the cash collected on the issuance of shares offset by the cash expenses incurred during the period. In addition, prepaid expenses increased resulting from the prepayment of investor relations contracts. This was offset by a reduction in property and equipment due to the amortization of the assets during the year. At December 31, 2022, the Company had total assets of \$3,115,779, which decreased compared to December 31, 2023. This decrease is the result of the decrease in the cash expenses resulting from the cash operating losses during the year ended December 31, 2023, along with the amortization of the property and equipment.

Results of Operations

	2024	2023
Management and consulting	\$ 941,801	\$ 220,869

During the year ended December 31, 2024, management and consulting expenses increased \$720,932 to \$941,801 compared to \$220,869 for the year ended December 31, 2023. The increase in the amount is the result of the following:

Director's Fees

Director's fees increased \$12,500 from \$127,500 in 2023 compared to \$140,000 for the year ended December 31, 2024. The increase is the result of the addition of a director during the year.

Consulting Fees

During the year, consulting fees increased \$708,432 to \$801,801 compared with \$93,369 for the year ended December 31, 2023. During the year, the Company incurred additional costs on consulting fees for various corporate consultants engaged to assist with Company's expanded commercial activities, including the development of sales and licensing models and forecasts as well as the anticipated establishment of formal customer management and supply chain operations that will be necessary to support potential commercial supply agreements for the Company's ZVS technology and related products.

	2024	2023
Research and development	\$ 2,041,425	\$ 2,130,596

Research and development expenses decreased \$89,171 to \$2,041,425 for the year ended December 31, 2024 compared to \$2,130,596 for the year ended December 31, 2023. The components of R&D consist of the following:

Contract and Labour



Contract labour was \$1,876,302 for the year ended December 31, 2024 compared to \$1,894,568 for the year ended December 31, 2023 representing a \$18,266 decrease. Contract labour decreased due to the timing of work provided by the Company's third-party consultants on the Company's ZVS prototype development and customer demonstration projects.

Materials and Supplies

Materials and supplies for the year end December 31, 2024 was \$165,123 compared to \$236,028 for the year ended December 31, 2023. The decrease of \$70,905 is related to the decrease in needs for the components and equipment rental required to conduct the research and development activities in the respective periods.

	2024	2023
Office and general	\$ 4,751,194	\$ 3,685,303

Office and general expenses were \$4,751,194 for the year ended December 31, 2024 compared to \$3,685,303 for the year ended December 31, 2023 representing a \$1,065,891 increase.

The significant components of office and general consist of the following:

Business Development

Business development increased \$130,434 to \$712,398 in 2024 compared to \$581,964 in 2023. These expenses related to expanded use of business development consultants and product marketing services relating to the promotion of the Company's ZVS technology and related product prototypes.

Investor Marketing Programs

Investor marketing program expense was \$1,742,794 for the year ended December 31, 2024 compared to \$772,609 for the year ended December 31, 2023, representing a \$970,185 increase year-over-year. The increase in these expenses are related to the various investor marketing programs the Company conducted during the year to generate shareholder interest.

Professional Fees

Professional fees for the year ended December 31, 2024 were \$448,460 compared to \$206,358 for the year ended December 31, 2023, representing an increase of \$242,102. The increase is due to additional legal fees resulting from an increase of \$34,646 in general corporate matters and \$116,848 related to services provided for intellectual property work related to patent filings and general matters. In addition, the Company has had an increase in accounting fees for annual filing requirements.

Salaries and Wages

Salaries and wages were \$1,205,063 for the year ended December 31, 2024, compared to \$1,434,580 for the year ended December 31, 2023. The decrease in salaries and wages of \$229,517 is the result of the reduction in the number of employees during the year.

General Office Expenses

General office expenses were \$107,724 in 2024 compared to \$177,198 in 2023. The decrease of \$69,474 is the result of the decrease in office occupancy costs resulting from rent recoveries.

Transfer Agent and Filing Fees

Transfer agent and filing fees were \$52,952 for the year ended December 31, 2024 compared to \$96,379 for the year ended December 31, 2023. The decrease of \$43,427 is attributable to the reduced fees for transfer agent services for share transactions and a reduction in annual general meeting expenses in the year.



Travel Expenses

Travel expenses increased \$44,265 to \$165,778 for the year ended December 31, 2024 compared to \$121,513 for the year ended December 31, 2023. The increase in the expense is related to an increase in travel expenses related to both business development activities and various financing meetings.

Depreciation

Depreciation expenses were \$316,025 for the year end of December 31, 2024 compared to \$294,702 for the year ended December 31, 2023. The increase of \$21,323 is the result of an increase in the depreciation of the right of use assets, representing the office leases. During the year, Hillcrest entered in an additional lease resulting in an increase in depreciation in the year.

	2024	2023
Share-based compensation	\$ 2,980,662	\$ 2,232,767

During the year ended December 31, 2024, Hillcrest granted 5,108,867 stock options and 4,526,986 RSUs to directors, employees, and consultants compared to 405,317 stock options and 3,919,838 RSUs during the year ended December 31, 2023. During the year ended December 31, 2024, Hillcrest also granted 7,297,025 common shares to officers, directors and consultants, with 3,329,076 of these shares ultimately returned to treasury and cancelled. The increase in share-based compensation relates directly to the vesting periods of the current and prior granted options and RSUs and increase in quantity of options and RSUs granted, as well as the grant of shares during the current year.

	2024	2023
Finance expenses	\$ 164,121	\$ 16,016

Finance expense represents the deemed interest on the lease obligations for the years ended December 31, 2024 and 2023 and interest on a promissory note payable at December 31, 2024. During the year, Hillcrest entered into a new lease agreement in addition to the new lease agreement entered into during 2023. As a result of these new lease agreements, there has been an increase in related interest expense for the year.

	2024	2023
Other income	\$ 157,897	\$ 200,037

Other income represents the amount of grants and interest income received during the year. In 2024, the Company received \$156,573 of grants and \$1,322 of interest compared to \$198,862 and \$1,175 of interest income in 2023. Grants consisted of \$15,331 from the Canadian Government for 2024 compared to \$56,930 for the comparable period. In addition, the Company received \$141,244 from third parties for joint studies compared to the prior year of \$141,932.

	2024	2023
Loss from discontinued operations	\$ 190,729	\$ 62,446

During the year ended December 31, 2024, the Company incurred a loss from discontinued operations of \$190,729 compared to \$62,446 for the year ended December 31, 2023. The Company's royalty and operating costs from discontinued operations for the year ended December 31, 2024, were \$24,465 compared to \$27,677 during the year ended December 31, 2023. These expenses are mainly attributable to insurance, lease payments, and road usage expenses. In addition, the Company incurred \$8,796 of office and general administration costs for 2024 compared to \$10,544 for 2023. These costs relate to bank charges, general office items and consulting fees. Finally, the Company revised the ARO liability estimate, which increased by \$157,468.

LIQUIDITY AND CAPITAL RESOURCES

Management has determined that cash flows for operating, research and development activities, and general and administrative expenses will be funded by Hillcrest's existing cash on hand. Any expected



short fall of cash required for these expenses will be funded by the issuance of common shares through private placements or issuance of debt facilities.

Cash flow used in operations for the year ended December 31, 2024 was \$7,519,539 compared to \$4,571,591 for the year ended December 31, 2023, resulting from the expenses incurred on the management and consulting fees, research and development expenses, and office and general expenses. These costs were incurred for the day-to-day management of the Company and the continuous development of the Company technologies.

Hillcrest received \$7,489,515 of cash flows from financing from the year ended December 31, 2024. During this period, the Company issued 24,342,323 common shares for gross proceeds of \$4,944,674 from the completion of private placements, issued 345,000 common shares on the exercise of stock options for proceeds of \$100,050, and issued 2,528,585 common shares on the exercise of warrants for proceeds of \$760,991. In addition, Hillcrest received \$1,788,985 on the issuance of promissory notes. This was offset by incurring \$630 of cash finder's fees and the repayment of \$130,081 in lease liabilities.

Hillcrest received \$4,213,694 of cash flows from financing from the year ended December 31, 2023. During the year, the Company issued 10,673,750 common shares for gross proceeds of \$3,827,000 from various private placements, received \$627,500 in advance for a private placement, which closed in 2024, and received \$12,300 from the exercise of warrants.

For the year ended December 31, 2024, Hillcrest did not have any investing activities. For the year ended December 31, 2023, Hillcrest spent \$24,036 on the acquisition of property and equipment.

The following table represents the net capital of the Company:

	2024	2023
Shareholders' equity (deficiency)	\$ (1,107,343)	\$ 1,120,629
Promissory notes	1,898,964	-
Net capital	\$ 791,621	\$ 1,120,629

Hillcrest uses net working capital to monitor leverage. The net capital is the result of the issuance of common shares and promissory notes offset by the operating loss of the Company since inception.

WORKING CAPITAL

The Company had a working capital deficiency of \$2,878,668 as at December 31, 2024, compared to \$601,239 as at December 31, 2023. Working capital decreased as the Company continued the development of its clean energy technologies.

Current assets for the year ended December 31, 2024 were \$960,028 compared to \$532,002 at December 31, 2023. The increase in the current assets is attributed to an increase in prepaid expenses of \$577,900 resulting from the increase in the payments for the investor relations marketing program. In addition, there was an increase in right-of-use assets of \$20,962 due to the additional lease entered into during the year. This was offset by a decrease in receivables of \$37,684 resulting from lower GST receivable claims, a decrease in due from related parties of \$85,065 resulting from collections from the various related parties, and a decrease in unrestricted cash of \$58,774 due to the timing of various operating expenses.

Current liabilities increased \$2,705,455 to \$3,838,696 as at December 31, 2024 compared to \$1,133,241 as at December 31, 2023. The increase in current liabilities is due to an increase in accounts payable and accrued liabilities of \$338,916 due to timing of various vendor invoices, an increase in lease liabilities of \$27,366 due to an additional lease entered into during the year, and the issuance of promissory notes of \$1,898,964 during the year. In addition, the Company has \$440,209 of current liabilities related to the discontinued operations.

Management has successfully utilized both debt and equity financing in the past, but there is no assurance that such funding will be available in the future or if it is that it will be on terms that are acceptable. If the Company is unable to obtain additional financing, it will experience liquidity problems and management



expects that it will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures. Any additional equity financing may involve substantial dilution.

Due to the conditions and events as noted above, there is material uncertainty casting significant doubt on the Company's ability to continue as a going concern.

CONTRACTUAL OBLIGATIONS

The Company has entered into two lease agreements. The office lease agreement has a term of 36 months, commencing November 1, 2024 and terminating on October 31, 2027, to accommodate the Company's corporate operations. Pursuant to this agreement, the Company has a commitment to lease office space at a base rent rate of \$89,532, \$92,019, and \$94,506 per annum respectively, plus common costs and taxes.

The office and warehouse rental extension agreement in Vancouver, British Columbia with a term of 36 months, commencing September 1, 2024 and terminating on August 31, 2027, to develop its clean energy technology and IP. Pursuant to this agreement, the Company has a commitment to lease the technology research and development space at a base rent rate of \$58,317 per annum in year one, \$61,094 per annum in year two, and \$63,871 per annum in year three, plus common costs and taxes.

CONTINGENCIES

Contingent liabilities

The Company does not have any contingent liabilities.

Contingent assets

The Company does not have any contingent assets.

SELECTED QUARTERLY INFORMATION

The table below summarizes information reported for the most recent eight quarterly periods. Figures in prior quarters have been reclassified to separate out discontinued operations:

	Dec 31, 2024	Sept 30, 2024	June 30, 2024	Mar 31, 2024
	\$	\$	\$	\$
Loss from continuing operations	(2,545,896)	(2,247,903)	(4,339,340)	(1,633,287)
Loss from discontinued operations	(184,716)	(2,870)	(2,625)	(518)
Total net loss	(2,730,612)	(2,250,773)	(4,341,965)	(1,633,805)
Loss per share from continuing operations	(0.05)	(0.02)	(0.05)	(0.00)
Loss per share from discontinued operations	(0.00)	(0.00)	(0.00)	(0.00)



	Dec 31, 2023	Sept 30, 2023	June 30, 2023	Mar 31, 2023
	\$	\$	\$	\$
Loss from continuing operations	(1,956,709)	(2,468,555)	(2,241,944)	(1,409,035)
Loss from discontinued operations	(45,998)	(2,784)	(1,159)	(12,525)
Total net loss	(2,002,707)	(2,471,339)	(2,243,103)	(1,421,560)
Loss per share from continuing operations	(0.03)	(0.04)	(0.04)	(0.02)
Loss per share from discontinued operations	(0.00)	(0.00)	(0.00)	(0.00)

Significant variations in the most recent eight quarters are discussed below:

During the three months ended December 31, 2024, the Company incurred a net loss from continuing operations of \$2,545,896 and a loss from discontinued operations of \$184,716. The increase in operating loss for the quarter is attributed to an increase in share-based compensation, an increase in investor relations costs due to the various marketing programs and an increase in consultant costs during the period. Loss from discontinued operations was \$184,716, resulting largely from the revision on the estimation of the ARO liability.

During the three months ended September 30, 2024, the Company recorded a net loss from continuing operations of \$2,247,903 and a loss from discontinued operations of \$2,870. The Company continued to focus on the development and commercialization of its clean energy technology with increased research and development spending in this area. In addition, both management and consulting and office and general increased due to increased costs for services to certain consultants and officers. Share-based compensation expense was lower from recognition on stock options and RSUs granted during the quarter. There were no revenues from discontinued operations together with minimal activities during the period.

During the three months ended June 30, 2024, the Company recorded a net loss from continuing operations of \$4,339,340 and a loss from discontinued operations of \$2,625. The Company continued to accelerate the development of its clean energy technology with increased research and development spending in this area. In addition, both management and consulting and office and general increased due to the issuance of common shares for services to certain consultants, officers, and directors. Share-based compensation expense was also significantly higher from recognition on stock options and RSUs granted during the quarter. There were no revenues from discontinued operations together with minimal activities during the period.

During the three months ended March 31, 2024, the Company recorded a net loss from continuing operations of \$1,633,287 and a loss from discontinued operations of \$518. The Company continued to accelerate the development of its clean energy technology with increased research and development spending in this area together with corresponding increase in professional fees for IP related work. Share-based compensation expense was also significantly higher from recognition on stock options and RSUs granted. There were no revenues from discontinued operations together with minimal activities during the period.

During the three months ended December 31, 2023, the Company recorded a net loss from continuing operations of \$1,956,709 and a loss from discontinued operations of \$45,998. The Company continued to accelerate the development of its clean energy technology with increased research and development spending in this area together with corresponding increase in investor relations expenditures. Share-based compensation expense was also significantly higher with from its recognition on RSUs granted. There were no revenues from discontinued operations together with minimal activities during the period.



During the three months ended September 30, 2023, the Company recorded a net loss from continuing operations of \$2,468,555 and a loss from discontinued operations of \$2,784. The Company continued to accelerate the development of its clean energy technology with increased research and development spending in this area together with corresponding increase in investor relations expenditures. Share-based compensation expense was also significantly higher with from its recognition on RSUs granted. There were no revenues from discontinued operations together with minimal activities during the period.

During the three months ended June 30, 2023, the Company recorded a net loss from continuing operations of \$2,241,944 and a loss from discontinued operations of \$1,159. The Company continued to accelerate the development of its clean energy technology with increased research and development spending in this area together with corresponding increase in business development expenditures. Share-based compensation expense was also significantly higher with the granting of RSUs and options during the quarter. There were no revenues from discontinued operations together with minimal activities during the period.

During the quarter ended March 31, 2023, the Company recorded a net loss from continuing operations of \$1,409,035 and a loss from discontinued operations of \$12,525. The Company continued to accelerate the development of its clean energy technology with increased research and development spending in this area together with corresponding increase in business development expenditures. The higher expenses were offset by lower share-based compensation. There were no revenues from discontinued operations together with minimal activities during the period due to the winter season.

OUTSTANDING SHARE DATA

As at the report date there are 100,436,250 common shares outstanding, 8,418,312 shares issuable on the exercise of stock options, 28,567,650 shares issuable on the exercise of share purchase warrants, 8,339,621 shares issuable on the redemption of restricted share units, and 21,722,901 convertible debentures units issuable upon conversion, which allow the holder to acquire up to 43,445,802 common shares.

SUBSEQUENT EVENTS

Subsequent to December 31, 2024:

On January 29, 2025, the Company closed the first tranche of an unsecured convertible debenture financing with a total principal amount of \$1,942,825, including \$1,554,825 to settle existing debt and accounts payable.

On March 4, 2025, the Company closed a second tranche of the unsecured convertible debenture financing, issuing debentures with a total principal amount of \$663,923.17, including \$470,523.17 to settle existing debt and accounts payable.

The debentures bear interest at 10% per annum and mature two years following the date of issuance. The outstanding principal amount owed under a debenture may be converted, in the sole discretion of the holder at any time prior to maturity, into Company units at a conversion price of \$0.12 per unit (the "Conversion Price"). Each unit will consist of one Company common share and one common share purchase warrant, with each exercisable at a price of \$0.12 per common share for 36 months from the date of issuance. At maturity, the Company may convert the outstanding principal amount, together with any accrued and unpaid interest thereon, into units at the Conversion Price, provided that, if the holder of a debenture and the Company make different elections at maturity, the election by the party who opted in favour of the largest conversion of the principal amount into units at the Conversion Price will prevail. The debentures are also subject to a forced conversion right, whereby the Company may convert the outstanding principal amount and any accrued and unpaid interest thereon into units at the Conversion Price if the closing price of the Company's common shares on the CSE is greater than or equal to \$0.36 for a period of ten consecutive trading days. If the Company arranges a distribution of securities, other than pursuant to an equity incentive plan, holders of the debentures may elect to complete a securities-for-debt transaction in connection with such subsequent financing to settle the outstanding principal and interest accrued and owing.



The total private placement resulted in the Company issuing debentures with a total principal amount of \$2,606,748.17.

On January 29, 2025, the Company granted 1,629,076 restricted share units ("RSUs"), pursuant to the Company's restricted share unit plan, to a consultant and several directors of the Company. The RSUs vested upon grant and expire December 1, 2028.

On January 29, 2025, the Company granted 100,000 stock options to a consultant of the Company pursuant to the Company's share option plan. The options are exercisable on or before January 29, 2030 at a price of \$0.12 per common share.

On March 4, 2025, the Company granted 600,000 RSUs, vesting 50% on August 30, 2025 and 50% on February 28, 2026 and expiring December 1, 2028, to a Company consultant.

On March 4, 2025, the Company granted 210,000 stock options exercisable at a price of \$0.12 per Company common share, vesting 50% on June 4, 2025 and 50% on September 4, 2025 and expiring March 4, 2030, to a Company consultant.

On March 4, 2025, the Company also announced the departure of Hillcrest Director, Kylie Dickson, effective March 5, 2025 and the appointment of existing Hillcrest Director, Thomas G. Milne, as the interim Audit Committee Chair.

On March 11, 2025, the Company announced a non-brokered private placement (the "Private Placement") with a new strategic investor in the Company (the "Investor") operating in various electrification and manufacturing sectors. The Company received a completed subscription agreement and is proceeding through the closing process. Pursuant to the Private Placement, the Company will issue 25,000,000 units of the Company (the "Units") to the Investor at an issue price of \$0.17 per Unit for gross proceeds of \$4,250,000.

On March 31, 2025, the Company announced the commencement of a technology evaluation project with a global Tier 1 automotive supplier. The initial phase will focus on assessing the potential benefits of Hillcrest's innovative Zero Voltage Switching (ZVS) technology in the supplier's next-generation inverter applications for electric vehicles (EVs). Upon successful completion of this phase and subject to mutual agreement to proceed, further phases would involve integration and validation of Hillcrest's ZVS technology into the supplier's inverter platform.

This phase involves a series of technical assessments conducted in collaboration with the Tier 1 supplier. Hillcrest's ZVS technology is designed to eliminate switching losses and provide significantly improved electromagnetic compatibility (EMC) performance. During this phase, the supplier will analyze the potential efficiency, and performance of Hillcrest's technology within their inverter architecture. The results of this evaluation will inform potential next steps.

Subsequent to December 31, 2024, the Company issued 1,166,666 common shares pursuant to the redemption of RSUs.

RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions during the year ended December 31, 2024 and 2023. Key management personnel included the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Chief Operating Officer ("COO"), Chief Commercialization Officer ("CCO") and directors and officers and companies controlled or significantly influenced by them:



Key management compensation

	Year Ended	
	December 31, 2024	December 31, 2023
	(\$)	(\$)
Management salaries, consulting fees and bonuses paid or accrued to officers or corporations controlled by officers of the Company	873,865	918,314
Director fees paid or accrued to directors	140,000	127,500
Share-based compensation	1,379,502	1,641,673
	<u>2,393,367</u>	<u>2,687,487</u>

As at December 31, 2024, the Company was owed \$906 (December 31, 2023 - \$85,971 due from officers) from a director of the Company. These amounts are non-interest bearing and are due on demand.

As at December 31, 2024, the Company was owed \$8,000 (December 31, 2023 - \$Nil) included in share subscriptions receivable from an officer of the Company. This amount is non-interest bearing and due on demand.

As at December 31, 2024, a total of \$60,105 (December 31, 2023 - \$3,150) was included in accounts payable and accrued liabilities in consulting fees and GST that were payable to the Company's officers.

As at December 31, 2024, a total of \$90,358 (December 31, 2023 - \$31,334) was included in accounts payable and accrued liabilities for director fees and reimbursable expenses payable to Company directors and officers.

CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development of its clean energy technology and current oil operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is primarily dependent on external financing to fund its activities. In order to carry out the planned clean technology research and development activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed using best efforts. The Company will continue to assess new clean technology opportunities and seek to acquire an interest in additional technologies if it feels there is sufficient economic potential and if it has adequate available or committed financial resources to complete such acquisitions.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2024. The Company is not subject to externally imposed capital requirements.

USE OF PROCEEDS FROM FINANCING

Financing	Proceeds	Original Use of Proceeds	Variation from Original Use of Proceeds
January 13, 2023	\$1,278,000	Ongoing technology and product development, commercialization and general working capital.	None.
May 15, 2023	\$2,013,000	Ongoing technology and product development, commercialization activities and general working capital.	None.

HILLCREST ENERGY TECHNOLOGIES LTD.**Management's Discussion & Analysis****Year Ended December 31, 2024**

October 4, 2023	\$1,740,000	Technology and product development, commercialization, and general working capital.	None.
January 17, 2024 through December 13, 2024	\$1,465,673	Technology and product development, commercialization, and general working capital.	\$500,000 of the proceeds was used for investor relations programs and the remainder to technology and product development, commercialization, and general working capital.
February 9, 2024 through April 30, 2024	\$3,218,500	Technology and product development, commercialization, general working capital, and the payment of \$300,000 in fees to service providers providing marketing and investor relations services to the Company.	\$500,000 of the proceeds was used for investor relations programs and the remainder to technology and product development, commercialization, and general working capital.
June 3, 2024	\$882,500	Increased marketing and investor relations activities as well as technology development and general working capital, including retirement of existing accounts payable.	None.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Significant accounting policies and critical accounting estimates used during the year ended December 31, 2024 are disclosed in notes 2 and 3 of the 2024 Annual Financial Statements. Preparing financial statements in accordance with IFRS requires management to make certain judgments and estimates. Changes to these judgments and estimates could have a material effect on the Company's financial statements and financial position.

OUTLOOK

Hillcrest is focused on developing and delivering value from its clean energy technology business through the continued development and commercialization of its technologies with the intent of licensing, partnering and/or selling accessible or owned clean energy technology and IP.

RISKS & UNCERTAINTIES

The business and operations of the Company are subject to numerous risks, many of which are beyond the Company's control. The Company considers the risks set out below to be some of the most significant to current and potential investors in the Company, but readers are cautioned that the list is not exhaustive. If any of these risks materialize into actual events or circumstances, or any other additional risks or uncertainties material to the Company's business occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), and business and business prospects are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline, and investors may lose all or part of their investment. The Company is engaged in the development of clean technologies and oil and gas production operations. Given the nature



of both the clean technology business and the oil and gas business, the limited extent of the Company's assets, the following risks, among others, should be considered.

Financing Risks and Dilution to Shareholders

The Company has limited financial resources and will require additional funds. There can be no assurance that the Company will be successful in its efforts to obtain adequate financing in the future or that such financing will be available on favourable terms or at all. It is likely such additional capital may be raised through the issuance of additional equity or other forms of capital such as debt or sale of assets which may result in dilution to the Company's existing shareholders.

Intellectual Property Risks

The Company's ability to compete largely depends on the superiority, uniqueness, and value of its intellectual property and technology, including both internally developed technology and the ability to acquire patent protection and/or trademark protection. To protect its proprietary rights, the Company will rely on a combination of trademark, copyright, and trade secret laws, trademark and patent applications, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, certain risks may reduce the value of the Company's intellectual property. The Company's applications for trademarks and copyrights relating to its business may not be granted, and if granted, may be challenged or invalidated. There is no guarantee that issued trademarks and registered copyrights will provide the Company with any competitive advantages. The Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of its technology and may not prevent the development and design by others of products or technology similar to, competitive with, or superior to those the Company develops. There is a risk that another party may obtain a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products.

Competition

Other companies operating in the green energy space are also attempting to create technology for implementation into traction inverters for electric vehicles or larger grid projects, similar to the Company. Other companies and individuals are engaged in this business, and the industry is not dominated by any single competitor or a small number of competitors.

Competition could materially and adversely affect the Company's business, operating results and financial condition. Such competitive disadvantages could adversely affect the Company's ability to participate in projects with favorable rates of return.

Global Trade and Tariff Risk

Free trade of goods and services between North America and Europe have been supported by bilateral and regional trade agreements. Recent changes in international trade policy in connection with tariffs imposed by the United States on Canada and other countries around the world, including those in the European Union, including the imposition of tariffs on automobiles, parts and other products, introduced uncertainty and volatility to the global economic generally, and in the automobile industry specifically. The uncertainty surrounding the global economic conditions could have adverse effects on the Company's growth, including future operations and distribution, due to the targeting of suppliers of automotive parts and producers of automobiles as a prospective customer base for the Company.

Risks Related to Global Operations

The Company operates in Canada and, through its service provider, in Germany, while the targeted customer base is global and includes potential customers in the European Union. Our operations, costs and timelines may be affected by global economic or geopolitical conditions, including recessions, slow economic growth, economic and pricing instability, inflation levels, increase of interest rates and credit market volatility, all of which could impact demand in the worldwide transportation industries or otherwise have a material adverse effect on our business, results of operations and financial condition. Shortages,



price increases and/or delays in shipments of supplies, equipment and raw materials have occurred and may continue to occur in the future which may result in increased operational or construction costs or operational or construction slowdowns.

Operating internationally, including through the establishment of an international customer base, has certain inherent risks, including:

- political, civil and economic instability;
- risks of war and other hostilities;
- corruption risks;
- trade, customs and tax risks, including with respect to tariffs;
- currency exchange rates and currency controls;
- limitations on the repatriation of funds;
- insufficient infrastructure;
- economic sanctions;
- increase in working capital requirements related to long supply chains;
- changes in labour laws and regimes and disagreements with the labour force;
- difficulty in protecting intellectual property rights and complying with data privacy and protection laws and regulations; and
- different legal systems, some of which may be less established.

The likelihood of such risks materializing and their potential effect on our business and results of operations will vary from country to country and are unpredictable, but could have a material adverse effect on our ability to execute our strategy and, accordingly, on our business, results of operations and financial condition.

Product Development Risks

The development of products is subject to the risks of failure inherent in the development of new, state of the art technologies. These risks include: (i) delays in product development; (ii) unplanned expenditures for product development; (iii) failure of new products to have the desired effect or an acceptable performance profile; (iv) emergence of superior or equivalent products; (v) failure by any potential collaborative partners to successfully develop products; and (vi) the dependence on third parties for the manufacture, development and sale of the Company's products. Because of these risks, our research and development efforts or those of potential collaborative partners may not result in any commercially viable products. If a significant portion of these development efforts is not successfully completed, or any products are not commercially successful, the Company is less likely to generate significant revenues or become profitable. The failure to perform such activities could have a material adverse effect on the Company's business, financial condition, and results of its operations.

The areas in which the Company plans to commercialize products involves rapidly developing technology. There can be no assurance that the Company will be able to establish itself in such fields, or, if established, that it will be able to maintain its market position, if any. There can be no assurance that the development by others of new or improved products will not make its present and future products, if any, superfluous or obsolete.

Changes in Economy

We are affected by changes in the broader economy, including but not limited to changes in interest rates, the unemployment rate, stock market volatility, availability of credit, government spending and consumer confidence. Such changes may lead to difficulty in obtaining capital, increases in debt costs, establishing and servicing customer relationships, delays in payments, increases in raw material prices, and/or fewer business opportunities for the Company in terms of acquisitions, collaborations or expansions. The severity and duration of an economic downturn or deteriorating financial market conditions are unknown and beyond our control. Any change in the broader economy or in global financial markets may have a material adverse effect on our financial condition and profitability.



We raise capital through the sale of our securities to fund our operations prior to achieving revenue related to our products. As such, any changes in the economy which may result in stock market volatility, particularly for early-stage companies such as ours, may have a material impact on our ability to fund operations in a timely manner or at all.

Macroeconomic Risks

Political and economic instability (including Russia's invasion of Ukraine and war in Israel), global or regional adverse conditions, such as pandemics or other disease outbreaks (including the COVID-19 global outbreak) or natural disasters, currency exchange rates, trade tariff developments, transport availability and cost, including import-related taxes, transport security, inflation and other factors are beyond the Company's control. The macroeconomic environment remains challenging, and the Company's results of operations could be materially affected by such macroeconomic conditions.

Litigation

The Company may be forced to litigate, enforce, or defend its intellectual property rights, protect its trade secrets, or determine the validity and scope of other parties' proprietary rights. Such litigation would be a drain on the financial and management resources of the Company which may affect the operations and business of the Company.

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for company shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of this Company may be subject to in connection with the Company's operations. Certain of the directors and officers of the Company are engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such directors and officers may be in direct conflict with the Company. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA and any other applicable corporate laws.

Inflation

The Company's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices and additional government intervention through stimulus spending or additional regulations. The Company's inability to manage costs may impact, among other things, future development decisions, which could have a material adverse impact on the Company's financial performance.

Environmental Risks

The Company's oil field operations will, in general, be subject to approval by regulatory bodies. Additionally, all phases of the oil and gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, state and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.



Uninsurable Risks

The Company's oil and gas operations involved risks, including sub-surface production issues or mechanical failure in wells, uncontrolled release of hydrocarbons and other subsurface fluids, fires, floods, hurricanes, earthquakes, and other environmental occurrences, any of which could result in damage to, or destruction of, wells and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although the Company intends to take precautions to minimize risk that will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks, such as environmental risks. Should such liabilities arise, they could have an adverse impact on the Company's operations and financial condition and could cause a decline in the value of the Company's shares.

Regulatory, Permit and License Requirements

The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations concerning development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters.

Reliance on Management and Dependence on Key Personnel

The success of the Company will be largely dependent upon the performance of its directors and officers and on the Company's ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors.

There is no assurance that the Company can maintain the service of its directors and officers, or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

Availability of Equipment and Labour

The clean tech industry is dependent on the availability of equipment and labour in the areas where such activities will be conducted. Demand for limited equipment and labour and restrictions imposed on access to equipment may affect the availability of such equipment to the Company which could delay exploration, development and production activities.

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not have any off-balance sheet debt, nor did it have any transactions, arrangements, obligations (including contingent obligations) or other relationships with any unconsolidated entities or other persons that may have material current or future effect on financial conditions, changes in the financial conditions, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenue or expenses.

ADDITIONAL DISCLOSURE

Additional information relating to the Company and its regulatory filings is available on the Company's website at www.hillcrestenergy.tech and under the Company's profile on SEDAR+ at <http://www.sedarplus.ca>